Low Chi Hong & Ors v Low Chi Yong (t/a Reynox Fertichem Industries)

COURT OF APPEAL (PUTRAJAYA) — CIVIL APPEAL NO K-02(NCVC)(W)-426–03 OF 2015
HAMID SULTAN, ABDUL RAHMAN SEBLI AND PRASAD ABRAHAM JJCA
5 SEPTEMBER 2016

Trade Marks — Infringement of — Trademark and passing off — Trademark used in partnership with consent and approval of respondent — Dispute between parties — Notice sent to appellants refraining them from using trademark — Whether by conduct of respondent and facts of case, there was infringement under s 40 of the Trade Marks Act 1976 — Whether protection for respondent under s 35 of the Trade Marks Act 1976 could not be sustained — Trade Marks Act 1976 ss 35 & 40

This was an appeal against the decision of the learned judicial commissioner who allowed the respondent's claim related to a trademark namely 'Reynox' as well as passing off; and dismissed the appellants' counterclaim to expunge the trademark. It was not in dispute that the name 'Reynox' was used by a company known as RH One Sdn Bhd for sale of fertiliser. Subsequently, a company known as RHL Berjaya Enterprise owned by the respondent was appointed as sole distributor of 'Reynox' brand fertiliser, nevertheless, the name 'Reynox' was never assigned to the respondent. The respondent then registered the name 'Reynox' as trademark sometime in 2005 and registered a partnership with the first appellant in the name of 'Reynox Fertilizer Manufacturer'. Thereafter, the respondent and the first appellant incorporated a company known as Reynox Sdn Bhd ('the second appellant') for the sale of the 'Reynox' fertiliser. Due to a family quarrel, the respondent left the second appellant and immediately sent a notice to the appellants directing them to refrain from using the trademark 'Reynox'. The issue for court's decision was whether by the conduct of the respondent and the facts of the case there was infringement under s 40 of the Trade Marks Act 1976 ('the TMA').

Held, allowing the appeal in part with costs of RM25,000 here and below subject to allocatur; setting aside the judgment of High Court in respect of the respondent's claim as well as the order of costs; and sustaining the dismissal of the counterclaim by the High Court:

(1) The name 'Reynox' had been used by RH One Sdn Bhd and subsequently by the parties, with the consent and approval of the respondent. In addition, the name 'Reynox' appeared in the firms' name

as well as the company, ie the second appellant and that too with the approval and consent of the respondent. On such facts, the protection for the respondent under s 35 of the TMA could not be sustained (see para 12(a)).

(2) The conduct of the respondent was not only unjust and inequitable, but also oppressive when without reasonable notice to the appellants, the respondent took upon himself to terminate the use of the trademark by the appellants in particular the second appellant. The conduct of the respondent would have caused immediate loss and damage to the second appellant which was an actively trading company. Such inequitable and oppressive conduct ought not to be entertained by courts when dealing with equitable reliefs. In addition, the appellants' counterclaim had no merit as the respondent's claim was not sustainable (see para 12(b)–(c)).

[Bahasa Malaysia summary

Ini adalah rayuan terhadap keputusan pesuruhjaya kehakiman yang bijaksana yang membenarkan tuntutan responden berkaitan tanda dagang iaitu 'Reynox' dan juga kelirupaan; dan menolak tuntutan balas perayu-perayu untuk mengeluarkan tanda dagang itu. Ia tidak dipertikaikan bahawa nama 'Reynox' digunakan oleh syarikat dikenali sebagai RH One Sdn Bhd untuk jualan baja. Berikutan itu, satu syarikat dikenali sebagai RH Berjaya Enterprise yang dimiliki oleh responden telah dilantik sebagai pengedar tunggal jenama baja 'Reynox', walau apa pun, nama 'Reynox' tidak pernah diberikan kepada responden. Responden kemudian telah mendaftarkan nama 'Reynox' sebagai tanda dagang sekitar 2005 dan mendaftarkan perkongsian dengan perayu pertama dalam nama 'Reynox Fertilizer Manufacturer'. Selepas itu, responden dan perayu pertama telah memperbadankan satu syarikat dikenali sebagai Reynox Sdn Bhd ('perayu kedua') bagi jualan baja 'Reynox. Akibat pertelingkahan keluarga, responden telah meninggalkan perayu kedua dan segera menghantar notis kepada perayu-perayu mengarahkan mereka menghalang daripada menggunakan tanda dagang 'Reynox'. Isu untuk keputusan mahkamah adalah sama ada melalui perlakuan responden dan fakta kes terdapat pelanggaran di bawah s 40 Akta Tanda Dagang 1976 ('ATD').

Diputuskan, membenarkan sebahagian daripada rayuan dengan kos RM25,000 di sini dan di bawah tertakluk kepada alokatur; mengetepikan penghakiman Mahkamah Tinggi berkaitan tuntutan responden dan juga perintah untuk kos; dan mengekalkan penolakan tuntutan balas oleh Mahkamah Tinggi:

(1) Nama 'Reynox' telah digunakan oleh RH One Sdn Bhd dan kemudian ole pihak-pihak, dengan persetujuan dan kelulusan responden. Tambahan pula, nama 'Reynox' kelihatan dalam nama firma dan juga syarikat itu, iaitu perayu kedua dan itu juga dengan kelulusan dan persetujuan responden. Berdasarkan fakta tersebut, perlindungan untuk

responden di bawah s 35 ATD tidak dapat dikekalkan (lihat perenggan 12(a)).

(2) Perlakuan responden bukan sahaja tidak adil dan tidak saksama, tetapi juga menindas apabila tanpa notis munasabah kepada perayu-perayu, responden dengan sendiri telah menamatkan penggunaan tanda dagang oleh perayu-perayu khususnya perayu kedua. Perlakuan responden boleh menyebabkan kerugian dan kerosakan serta merta kepada perayu kedua yang merupakan syarikat dagangan yang aktif. Perlakuan yang tidak saksama dan menindas tidak patut dilayan oleh mahkamah apabila berurusan dengan relif-relif ekuiti. Tambahan pula, tuntutan balas perayu tidak mempunyai merit kerana tuntutan responden tidak dapat dikekalkan (lihat perenggan 12(b)–(c)).]

Notes

For a case on trademark and passing off, see 12(2) *Mallal's Digest* (5th Ed, 2015) para 2715.

Cases referred to

Al Baik Fast Food Distribution CO SAE v El Baik Food Systems CO SA and another appeal [2016] 5 MLJ 768, CA (refd)

Keep Good Feel Corp Sdn Bhd (previously known as Fasa Bebas Sdn Bhd) & Anor v Pharma World (M) Sdn Bhd & Ors [2010] 1 MLJ 242, HC (refd)

Legislation referred to

Trade Marks Act 1976 ss 35, 36, 37, 40, 45, 46

Appeal from: Suit No 22NCVC-58–5 of 2013 (High Court, Alor Setar)

Lawrence Boudville (Sean Teh with him) (Sim & Sean) for the appellant.
Lim Teng Cheun (TC Lim & Co) for the respondent.

Hamid Sultan JCA (delivering judgment of the court):

[1] The appellants/defendants appeals against the decision of the learned judicial commissioner who allowed the respondent/plaintiff prayers related to trade mark as well as passing off, etc and dismissed the appellants counterclaim which, inter alia, prayed for the expunging of the trade mark, pursuant to s 46 of the Trade Marks Act 1976 ('the TMA 1976').

[2] My learned brothers Abdul Rahman bin Sebli JCA and Prasad Sandosham Abraham JCA have read the draft judgment and approved the same. This is our judgment.

PRELIMINARIES

[3] What is essential to note in this case is that:

(a) the dispute is between family members on the right to use the trade mark 'Reynox'. Thus, the instant case is not one related to the usual dispute arising in respect of trade mark and passing off, etc mounted against third party tortfeasor;

(b) the name 'Reynox' does not originate from the plaintiff before it was registered under the plaintiff's name;

(c) the name 'Reynox' was used by others before the trademark was registered;

(d) the name 'Reynox' is also carried as business name by others as well as between the plaintiff and the first defendant. In fact, the plaintiff and the first defendant are partners in the business called 'Reynox Fertilizer Manufacturer' and shareholders in the second defendant;

(e) the plaintiff, notwithstanding the 'Reynox' trademark was registered in his name as early as 2005, has allowed the trademark to be used in the family business including the second defendant without any objection;

(f) In essence, the real issue is whether by the conduct of the plaintiff and the facts of the case there was infringement under s 40 of the TMA 1976. The learned trial judge had failed to consider the provision of s 40 of the TMA 1976 in its right perspective, thereby compromising the integrity of the decision making process.

[4] We do not wish to set out the lengthy prayers of the plaintiff as well as the defendants, neither the chequered history relating to the facts of the case as it has been dealt in extensor by the learned judicial commissioner. This judgment must be read together with the judgment of the learned trial judge to appreciate the facts in the right perspective.

[5] Prayer (a) in the statement of claim is related to a declaration to say that the defendants have infringed the plaintiff's trademark. If there is no infringement in law, the plaintiff will not be able to maintain the other equitable reliefs and/or prayers. Thus, the real issue is whether there was infringement.

BRIEF FACTS

[6] It is not in dispute that:

(a) the name 'Reynox' for sale of fertiliser was used by one company, by the name RH One Sdn Bhd where the parties to this action are not shareholders;

(b) subsequently, RHL Berjaya Enterprise was appointed as the sole distributor of Reynox brand fertiliser. The respondent was the owner of RHL Berjaya Enterprise. What is also important to note here is that the name Reynox was never assigned by RH One Sdn Bhd to the plaintiff;

(c) the plaintiff registered the name 'Reynox' as trademark sometime in 2005 and subsequently the plaintiff and the first defendant registered a partnership in the name of 'Reynox Fertilizer Manufacturer' on 28 May 2006. This will show that notwithstanding the plaintiff has registered the trademark as 'Reynox', he has directly and/or indirectly abandoned the right to the exclusively (if any) to use the trademark as per s 35 of the TMA 1976;

(d) 'Reynox' fertiliser was sold through 'Reynox Fertilizer Manufacturer' until the second defendant (Reynox Sdn Bhd) was incorporated. The second defendant was owned by the first defendant and the plaintiff in equal shares. This conduct will also show that the purported exclusivity guaranteed under s 35 of the TMA 1976 has been compromised by the plaintiff himself;

(e) sometime in the year 2012, there was a family quarrel and in consequence the plaintiff left the second defendant's business and immediately sent a notice through their solicitor directing the defendants to refrain from using the trademark 'Reynox', which conduct will be seen by any reasonable tribunal appraised of the facts to be oppressive, unjust and would not entitle the plaintiff to be granted any form of equitable relief such as declaration and injunctions, etc. which was prayed in the statement of claim. That is to say, the conduct of the plaintiff will destroy all equitable relief and the court ought to have dismissed the plaintiff's claim at *limine*. Learned authors of *Janab's Series to Law, Practice and Legal Remedies* Vol II (2005) at p 316 says:

> Equity in relation to legal remedies means justice administered according to fairness as opposed to strict rules of common law. The learned authors of Black's Law Dictionary – 6th edition define equity as follows:
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> > Justice administered according to fairness as contrasted with the strictly formulated rules of common law. It is based on a system of rules and principles, which originated in England as an alternative to the harsh rules of common law and which were based on what was fair in a particular situation. One sought relief under this system in courts of equity rather than in courts of law. The terms "equity" denotes the spirit and habit of fairness, justness, and right dealing which would regulate the intercourse of men with men. Maitland defines equity as "that body of rules administered by English courts of Justice which, were if not for the

operation of the Judicature Acts, would be administered only by those courts known as courts of equity.

And at pp 316–317:

There are twelve well recognized maxims of equity. They are as follows: (a) Equity will not suffer a wrong to be without a remedy; (b) He who seeks equity must do equity; (c) He who comes into equity must come with clean hands; (d) Equity follows the law; (e) Delay defeats equity; (f) Equality is equity; (g) Equity looks to the intent rather than to the form; (h) Equity looks on that as done which ought to have been done; (i) Where the equities are equal, the first in time shall prevail; (j) Where there is equal equity, the law shall prevail; (k) Equity imputes an intention to fulfil an obligation; and (1) Equity acts in personam.

(f) it is well established that if the plaintiff acts contrary to any of the 12 maxims courts generally will not entertain equitable relief;

(g) the fact that the plaintiff had allowed the trademark to be used by the partnership firm which is still existing as well as the second defendant, including the name used 'Reynox' by the firm and company will militate against a cause of action in passing off, etc as well. The learned judicial commissioner ought to have dismissed the claim for passing off at *limine*; and

(h) in addition, trial courts must take cognisance that the conduct of the plaintiff is an important criteria to assess before deciding whether an equitable relief which is discretionary, ought to be exercised in favour of the plaintiff. This is a strict test which the court must take into consideration to evaluate the plaintiff's case. In the instant case, the learned trial judge had failed to consider the trite principles of equity, thereby compromising the integrity of the decision making process. We will explain further in the judgment.

JURISPRUDENCE RELATING TO INFRINGEMENT OF TRADEMARK

[7] The jurisprudence relating to infringement of trademark in particular, ss 45 and 46 of the TMA 1976 had been dealt in great detail, in the recent case of *Al Baik Fast Food Distribution CO SAE v El Baik Food Systems CO SA and another appeal* [2016] 5 MLJ 768 presided by Hamid Sultan bin Abu Backer JCA, Prasad Sandosham Abraham JCA and Asmabi bt Mohamad JCA. We do not wish to repeat the same.

[8] A bona fide registered trademark holder is given some protection under ss 35–37 of the TMA 1976. The said sections read as follows:

Section 35 Rights given by registration

(1) Subject to the provisions of this Act, the registration of a person as registered proprietor of a trade mark (other than a certification trade mark) in respect of any goods or services shall, if valid, give or be deemed to have been given to that person the exclusive right to the use of the trade mark in relation to those goods or services subject to any conditions, amendments, modifications or limitations entered in the Register.

(2) Where two or more persons are proprietors of registered trade marks which are identical or nearly resembling each other rights of exclusive use of either of those trade marks are not (except so far as their respective rights have been defined by the Registrar or the Court) acquired by any one of those persons as against any other of those persons by registration of the trade mark but each of those persons have the same rights as against other persons (not being registered users) as he would if he were the sole registered proprietor.

Section 36 Registration prima facie evidence of validity

In all legal proceedings relating to a registered trade mark (including applications under section 45) the fact that a person is registered as proprietor of the trade mark shall be *prima facie* evidence of the validity of the original registration of the trade mark and of all subsequent assignments and transmissions thereof.

Section 37 Registration conclusive

In all legal proceedings relating to a trade mark registered in the Register (including applications under section 45) the original registration of the trade mark under this Act shall, after the expiration of seven years from the date thereof, be taken to be valid in all respects unless it is shown —

(a) that the original registration was obtained by fraud;

(b) that the trade mark offends against section 14; or

(c) that the trade mark was not, at the commencement of the proceedings, distinctive of the goods or services of the registered proprietor,

except that this section shall not apply to a trade mark registered under the repealed Ordinances and incorporated in the Register pursuant to subsection 6(3) until after the expiration of three years from the commencement of this Act.

[9] Sections 35 to 37 have a number of exceptions based on case laws as well as set out in s 40 of the TMA 1976. When all these sections are read together with the relevant case laws, it will show that registration of trademark per se do not guarantee absolute right for the registered trademark owner to claim exclusivity per se. In addition, whether it is a claim under the Trade Mark Act and/or common law such as passing off, the court is not obliged to grant equitable relief in the form of declaration, injunction, discovery, accounts, etc; when the plaintiff do not approach the court with clean hands and/or the conduct of the plaintiff is unjust, inequitable and/or oppressive, etc.

[10] Learned author *P Narayanan (2009)* summarises the general defences in

trademark cases as follows: (a) the plaintiff has no title to sue; (b) registration of the mark is not valid and is liable to be expunged; (c) the use of the mark complained of is not an infringement of the registered trademark; (d) in the case of part B registration, the issue complained is not likely to deceive or cause confusion; (e) the defendant has a statutory right to use the mark by virtue of concurrent registration; (f) the defendant's use is prior to the registration and use of the plaintiff; (g) the defendant has a right to use by virtue of honest concurrent use; (h) the defendant is using the mark bona fide for descriptive purposes or he is bona fide using his own name or that of his place of business, or the name or the name of the place of business of his predecessors in business. This does not apply to use of the name as a trademark; (i) the plaintiff's mark has become the common name of the goods or has become common to the trade; and (j) the plaintiff is debarred from suing or claiming the reliefs sought by his own conduct, for example, the plaintiff's trade is fraudulent, or his trademark is deceptive, or he is *guilty of estoppels, acquiescence, laches or abandonment of the mark*. (Emphasis added.) See *Keep Good Feel Corp Sdn Bhd (previously known as Fasa Bebas Sdn Bhd) & Anor v Pharma World (M) Sdn Bhd & Ors* [2010] 1 MLJ 242).

[11] In the instant case, many of the general defences set out by *P Narayanan* will be applicable to the plaintiff's case to deny the plaintiff the prayer sought in the statement of claim. We do not think it is necessary to set out the relevant defence, some of which are incorporated in s 40 of the TMA 1976 which reads as follows:

Section 40 Acts not constituting infringement

(1) Notwithstanding anything contained in this Act, the following acts do not constitute an infringement of a trade mark —

(a) the use in good faith by a person of his own name or the name of his place of business or the name of the place of business of any of his predecessors in business;

(b) the use in good faith by a person of a description of the character or quality of his goods or services, and in the case of goods not being a description that would be likely to be taken as importing any reference as is mentioned in paragraph 38(1)*(b)* or paragraph 56(3)*(b)*;

(c) the use by a person of a trade mark in relation to goods or services in respect of which he has by himself or his predecessors in business, continuously used the trade mark from a date before —

(i) the use of the registered trade mark by the registered proprietor, by his predecessors in business or by a registered user of the trade mark; or

(ii) the registration of the trade mark, whichever is the earlier;

(d) in relation to goods connected in the course of trade with the

registered proprietor or a registered user of the trade mark if, as to those goods or a bulk of which they form part, the registered proprietor or the registered user in conforming to the permitted use has applied the trade mark and has not subsequently removed or obliterated it or has at any time expressly or impliedly consented to the use of the trade mark;

(e) the use by a person of a trade mark in relation to goods or services to which the registered proprietor or registered user has at any time expressly or impliedly consented to;

(f) the use of the trade mark by a person in relation to goods or services adapted to form part of, or to be accessory to, other goods or services in relation to which the trade mark has been used without infringement of the right given or might for the time being be so used, if the use of the trade mark is reasonably necessary in order to indicate that the goods or services are so adapted and neither the purpose nor the effect of the use of trade mark is to indicate otherwise than in accordance with the facts a connection in the course of trade between any person and the goods or services; and

(g) the use of a trade mark, which is one of two or more registered trade marks which are substantially identical, in exercise of the right to the use of that trade mark given by registration as provided by this Act.

(2) Where a trade mark is registered subject to conditions, amendments, modifications or limitations, the trade mark is not infringed by the use of the trade mark in any manner in relation to goods to be sold or otherwise traded in in a place or in relation to goods to be exported to a market or in relation to services to be provided in a place or in any other circumstances to which having regard to those conditions, amendments, modifications or limitations the registration does not extend.

[12] We have read the appeal record and the submission of the parties in detail. After giving much consideration to the submission of the learned counsel for the plaintiff, we take the view that the appeal should be allowed partly, that is to say that the judgment for the plaintiff by the judicial commissioner must be set aside. Our reasons, inter alia, are as follows:

(a) in the instant case, the name 'Reynox' has been used by RH One Sdn Bhd and subsequently by the parties, with the consent and approval of the plaintiff. In addition, the name 'Reynox' appears in the firms' name as well as the company, ie the second defendant and that too with the approval and consent of the plaintiff. Common sense will dictate that on such facts, s 35 of the TMA 1976 protection for the plaintiff cannot be sustained. The plaintiff was also not able to produce any authority to say otherwise;

(b) in the instant case, the conduct of the plaintiff is not only unjust and inequitable, but also oppressive when without reasonable notice to the defendants, the plaintiff took upon himself to terminate the use of the trademark by the defendants in particular the second defendant. The conduct of the plaintiff would have caused immediate loss and damage to the second defendant which is an actively trading company. Such inequitable and oppressive conduct ought not to be entertained by courts when dealing with equitable reliefs; and

(c) the counterclaim by the defendants in the pleaded form, in our view has no merits, more so when we have ruled that the plaintiff's claim is not sustainable. We are also not able to consider any relief in damages to the defendants based on the evidence as well as the pleaded case of the defendants.

[13] For reasons stated above, we allow the appeal partly with costs of RM25,000 for here and below, subject to allocatur. The judgment of the High Court in respect of the plaintiff's claim as well as the order of costs is set aside. The dismissal of the counterclaim by the High Court is sustained. Deposit is to be refunded.

We hereby order so.

Reported by Dzulqarnain Ab Fatar